

# Sekisui House, Ltd.

## Second Quarter of FY2016

(February 1, 2016 through July 31, 2016)

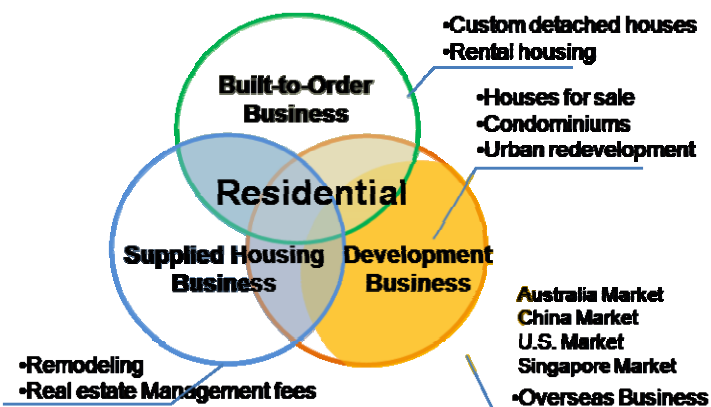
### - Summary of Consolidated Financial Results -

1. Overview
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  - Built-to-Order Business
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September 8, 2016

### Basic Direction of FY2014 Mid-term Management Plan

Strengthening synergies in the Group and taking on  
New challenges in the “residential”-related business



### Management Direction

Deployment of growth strategies focused on  
the “residential” business domain

## ➤ Overview

### Revenue growth in all business models

#### Improvement in the gross margins of the Built-to-Order and Supplied Housing Businesses

#### through continuous cost cutting efforts.

## ➤ Highlights

- Built-to-Order Business:** The profitable structure was enhanced by capitalizing on the group-wide capabilities in areas such as production, construction, and logistics, etc., which resulted in an increase in profitability in the Built-to-Order Business as a whole. The Custom Detached Houses Business saw an increase in operating income despite lower revenue due to decreased orders in the second half of the previous fiscal year. The Rental Housing Business experienced growth in revenue and profit, supported by the steady progress of construction, with orders remaining strong. It will continue to focus on Green First Zero, as well as 3- and 4-story houses and other high-value-added products.
- Supplied Housing Business:** In the Remodeling Business, the reduction in the solar renovation was offset by the large renovation and rental housing remodeling, and net sales remained flat from the previous year. The Real Estate Management Fees Business saw a rise in revenue and profit due to a continuous increase in the number of administration offices driven by the excellent performance of the Rental Housing Business, with the occupancy rate also remaining high.
- Development Business:** Orders remained strong in the Houses for Sale, Condominiums, and other businesses. The Overseas Business saw a decline in orders due mainly to the drop-off period in the selling of properties.

(¥ billion)

	FY2015 (15/2-15/7)		FY2016 (16/2-16/7)			
	Results	Margin	Results	Margin	Amount Changed	YOY
<b>Net sales</b>	<b>931.5</b>		<b>949.6</b>		<b>18.0</b>	<b>1.9%</b>
Built-to-Order	390.7		395.3		4.6	1.2%
Supplied Housing	291.8		302.0		10.2	3.5%
Development	207.3		210.9		3.6	1.7%
<b>Gross profit</b>	<b>192.4</b>	<b>20.7%</b>	<b>193.6</b>	<b>20.4%</b>	<b>1.2</b>	<b>0.6%</b>
Built-to-Order	94.0	24.1%	98.5	24.9%	4.5	4.8%
Supplied Housing	47.7	16.4%	51.5	17.1%	3.7	7.9%
Development	45.4	21.9%	39.5	18.7%	(5.9)	(13.0%)
<b>SG&amp;A</b>	<b>110.7</b>		<b>114.4</b>		<b>3.6</b>	<b>3.3%</b>
<b>Operating income</b>	<b>81.7</b>	<b>8.8%</b>	<b>79.2</b>	<b>8.3%</b>	<b>(2.4)</b>	<b>(3.0%)</b>
Built-to-Order	47.2	12.1%	49.9	12.6%	2.6	5.7%
Supplied Housing	21.9	7.5%	25.1	8.3%	3.2	14.8%
Development	27.3	13.2%	20.7	9.9%	(6.5)	(24.1%)
<b>Non-operating income/expenses</b>	<b>5.6</b>		<b>(0.6)</b>		<b>(6.2)</b>	<b>-</b>
<b>Ordinary income</b>	<b>87.3</b>	<b>9.4%</b>	<b>78.6</b>	<b>8.3%</b>	<b>(8.7)</b>	<b>(10.0%)</b>
<b>Extraordinary income</b>	<b>4.2</b>		<b>-</b>		<b>(4.2)</b>	<b>-</b>
<b>Extraordinary loss</b>	<b>3.9</b>		<b>0.3</b>		<b>(3.6)</b>	<b>(91.5%)</b>
<b>Net income attributable to owners of parent</b>	<b>52.0</b>	<b>5.6%</b>	<b>52.0</b>	<b>5.5%</b>	<b>0.0</b>	<b>0.0%</b>
<b>EPS (yen)</b>	<b>74.09</b>		<b>74.63</b>			

(Non-operating income/expenses)  
 -Equity in earnings of affiliates:  
 ¥ 4.6 billion (up ¥ 2.0 billion YOY)  
 -Foreign exchange loss: ¥ 4.5 billion (down ¥ 6.3 billion YOY)

## ➤ State of Orders

(¥ billion)

Consolidated orders				Accumulated orders			
FY2015 (15/2-15/7)	FY2016 (16/2-16/7)	Amount changed	YOY	FY2015 (Jan. 31, 2016)	FY2016 2Q (Jul. 31, 2016)	Amount changed	Change
993.3	1,041.8	48.4	4.9%	868.7	960.9	92.2	10.6%

## 2. Financial Position



### ➤ Consolidated Balance Sheets

(¥ billion)

(Assets)	FY2015 (Jan. 31, 2016)	FY2016 2Q (Jul. 31, 2016)	Amount changed	(Liabilities and net assets)	FY2015 (Jan. 31, 2016)	FY2016 2Q (Jul. 31, 2016)	Amount changed
Total current assets	1,264.9	1,230.7	(34.1)	Total current liabilities	735.3	679.9	(55.4)
Real estate for sale	898.2	897.1	(1.0)	Total noncurrent liabilities	225.9	313.7	87.8
Total noncurrent assets	764.8	783.6	18.7	<b>Total liabilities</b>	<b>961.3</b>	<b>993.7</b>	<b>32.3</b>
<b>Total assets</b>	<b>2,029.7</b>	<b>2,014.4</b>	<b>(15.3)</b>	<b>Total net assets</b>	<b>1,068.4</b>	<b>1,020.6</b>	<b>(47.7)</b>
				<b>Total liabilities and net assets</b>	<b>2,029.7</b>	<b>2,014.4</b>	<b>(15.3)</b>

\* Total of Buildings for sale, Land for sale in lots, and Undeveloped land for sale

#### [Main factors of change]

- Decrease in foreign currency translation adjustments: ¥(62.6) billion

### ➤ State of Interest-bearing Debts

	FY2015 (Jan. 31, 2016)	FY2016 2Q (Jul. 31, 2016)	Amount changed
Interest-bearing debts (¥ billion)	426.0	484.0	57.9
DE ratio	40.3%	47.9%	7.6P
Equity ratio	52.1%	50.2%	(1.9p)

### ➤ State of Cash Flows

(¥ billion)

	FY2015 (15/2-15/7)	FY2016 (16/2-16/7)	Amount changed
Net cash provided by (used in) operating activities	(4.7)	(7.6)	(2.9)
Net cash provided by (used in) investing activities	(51.7)	(59.2)	(7.4)
Free cash flow	(56.4)	(66.9)	(10.4)
Net cash provided by (used in) financing activities	48.2	51.6	3.3
Net increase (decrease) in cash and cash equivalents	(8.3)	(22.6)	(14.3)
Cash and cash equivalents at beginning of period	195.0	192.3	
Cash and cash equivalents at end of period	186.6	169.6	

#### [Main factors of change]

- Increases in inventories: ¥(52.6) billion

### ➤ State of Investment

(¥ billion)

	FY2015 (15/2-15/7)	FY2016 (16/2-16/7)	Amount changed	FY2016 Full-year plan
Capital expenditures	58.1	60.4	2.2	80.0
Depreciation and amortization	11.9	11.3	(0.6)	23.0

### 3. Segment Information



#### ➤ Built-to-Order Business

(¥ billion)

	Net sales			
	FY2015 (15/2-15/7)	FY2016 (16/2-16/7)	Amount changed	YOY
Custom Detached Houses	196.0	188.4	(7.6)	(3.9%)
Rental Housing	194.6	206.8	12.2	6.3%
Total	390.7	395.3	4.6	1.2%

Gross margin		
FY2015 (15/2-15/7)	FY2016 (16/2-16/7)	Amount changed
25.0%	25.7%	0.7p
23.1%	24.2%	1.1p
24.1%	24.9%	0.8p

	Operating income			
	FY2015 (15/2-15/7)	FY2016 (16/2-16/7)	Amount changed	YOY
Custom Detached Houses	23.3	23.5	0.1	0.7%
Rental Housing	23.9	26.4	2.5	10.5%
Total	47.2	49.9	2.6	5.7%

OP margin		
FY2015 (15/2-15/7)	FY2016 (16/2-16/7)	Amount changed
11.9%	12.5%	0.6p
12.3%	12.8%	0.5p
12.1%	12.6%	0.5p

	Orders			
	FY2015 (15/2-15/7)	FY2016 (16/2-16/7)	Amount changed	YOY
Custom Detached Houses	202.4	206.0	3.6	1.8%
Rental Housing	220.4	240.7	20.2	9.2%
Total	422.8	446.7	23.8	5.7%

ASP per building (10 thousand yen)		
FY2015	FY2016 (16/2-16/7)	Amount changed
3,700	3,741	41
7,677	8,305	628

#### ■ Custom Detached Houses Business

Ratio of Green First Zero: 72 %

Ratio of three- and four-story housing (in value): 9.8 %

#### ■ Rental Housing Business

Ratio of three- and four-story housing (in value): 60.2 %

#### ➤ Supplied Housing Business

(¥ billion)

	Net sales			
	FY2015 (15/2-15/7)	FY2016 (16/2-16/7)	Amount changed	YOY
Remodeling	68.5	68.4	(0.1)	(0.2%)
Real Estate Management Fees	223.2	233.6	10.3	4.6%
Total	291.8	302.0	10.2	3.5%

Gross margin		
FY2015 (15/2-15/7)	FY2016 (16/2-16/7)	Amount changed
23.6%	25.2%	1.6p
14.2%	14.7%	0.5p
16.4%	17.1%	0.7p

	Operating income			
	FY2015 (15/2-15/7)	FY2016 (16/2-16/7)	Amount changed	YOY
Remodeling	7.6	8.7	1.0	13.9%
Real Estate Management Fees	14.2	16.4	2.1	15.3%
Total	21.9	25.1	3.2	14.8%

OP margin		
FY2015 (15/2-15/7)	FY2016 (16/2-16/7)	Amount changed
11.2%	12.8%	1.6p
6.4%	7.0%	0.6p
7.5%	8.3%	0.8p

	Orders			
	FY2015 (15/2-15/7)	FY2016 (16/2-16/7)	Amount changed	YOY
Remodeling	67.5	69.4	1.9	2.9%
Real Estate Management Fees	223.2	233.6	10.3	4.6%
Total	290.8	303.1	12.2	4.2%

#### ■ Real Estate Management Fees Business

Number of units under management: 576 thousand  
Occupancy ratio: 96.7% (up 0.2p from the end of the previous year)

### 3. Segment Information



#### Development Business

(¥ billion)

	Net sales			
	FY2015 (15/2-15/7)	FY2016 (16/2-16/7)	Amount changed	YOY
Houses for Sale	73.7	68.4	(5.3)	(7.2%)
Condominiums	41.9	31.6	(10.3)	(24.6%)
Urban Redevelopment	64.2	77.2	13.0	20.3%
Overseas	27.4	33.6	6.2	22.6%
Total	207.3	210.9	3.6	1.7%

Gross margin		
FY2015 (15/2-15/7)	FY2016 (16/2-16/7)	Amount changed
18.1%	18.1%	0.0p
15.7%	15.6%	(0.1P)
29.1%	18.0%	(11.1P)
24.9%	24.8%	(0.1P)
21.9%	18.7%	(3.2P)

	Operating income			
	FY2015 (15/2-15/7)	FY2016 (16/2-16/7)	Amount changed	YOY
Houses for Sale	6.3	5.4	(0.9)	(15.0%)
Condominiums	3.6	1.8	(1.8)	(49.3%)
Urban Redevelopment	17.6	12.9	(4.7)	(26.7%)
Overseas	(0.3)	0.5	0.8	-
Total	27.3	20.7	(6.5)	(24.1%)

OP margin		
FY2015 (15/2-15/7)	FY2016 (16/2-16/7)	Amount changed
8.6%	7.9%	(0.7p)
8.8%	5.9%	(2.9p)
27.5%	16.7%	(10.8p)
(1.3%)	1.6%	2.9p
13.2%	9.9%	(3.3p)

	Orders			
	FY2015 (15/2-15/7)	FY2016 (16/2-16/7)	Amount changed	YOY
Houses for Sale	70.9	79.6	8.7	12.3%
Condominiums	37.1	46.0	8.9	23.9%
Urban Redevelopment	64.2	86.5	22.3	34.8%
Overseas	67.6	39.6	(27.9)	(41.4%)
Total	239.9	251.9	12.0	5.0%

■Urban Redevelopment Business  
Sales from property sales: ¥ 55.5 billion  
Operating income from property sales: ¥ 8.7 billion

#### Overseas Business / Details by country

##### Results for Second Quarter of FY2016

(¥ billion)

Country	Net sales	Operating income	Ordinary income	Investment balance	Orders	Accumulated orders	Units for sale of major projects	Of which, contracted units *2
Australia	8.2	(0.2)	(0.3)	119.0	0.7	80.9	2,036 units	1,944 units
China	8.2	(1.6)	(1.8)	216.3	16.4	17.3	1,240 units	529 units
USA	17.1	2.9	3.0	225.7	22.3	41.0	-	-
Singapore *1	-	-	1.5	40.2	-	-	3,281 units	3,200 units
Other administrative expenses	-	(0.4)	(0.4)	-	-	-	-	-
Total	33.6	0.5	1.9	601.4	39.6	139.2	-	-

\*1 Accounted for by the equity method

\*2 Including units delivered during the current fiscal year

### 3. Segment Information



(¥ billion)

		FY2015 (15/2-15/7)					FY2016 (16/2-16/7)				
		Net sales	Operating income	OP margin	Gross margin	Orders	Net sales	Operating income	OP margin	Gross margin	Orders
Built-to-Order Business	Custom Detached Houses	196.0	23.3	11.9%	25.0%	202.4	188.4	23.5	12.5%	25.7%	206.0
	Rental Housing	194.6	23.9	12.3%	23.1%	220.4	206.8	26.4	12.8%	24.2%	240.7
	Subtotal	390.7	47.2	12.1%	24.1%	422.8	395.3	49.9	12.6%	24.9%	446.7
Supplied Housing Business	Remodeling	68.5	7.6	11.2%	23.6%	67.5	68.4	8.7	12.8%	25.2%	69.4
	Real Estate Management Fees	223.2	14.2	6.4%	14.2%	223.2	233.6	16.4	7.0%	14.7%	233.6
	Subtotal	291.8	21.9	7.5%	16.4%	290.8	302.0	25.1	8.3%	17.1%	303.1
Development Business	Houses for Sale	73.7	6.3	8.6%	18.1%	70.9	68.4	5.4	7.9%	18.1%	79.6
	Condominiums	41.9	3.6	8.8%	15.7%	37.1	31.6	1.8	5.9%	15.6%	46.0
	Urban Redevelopment	64.2	17.6	27.5%	29.1%	64.2	77.2	12.9	16.7%	18.0%	86.5
	Overseas	27.4	(0.3)	(1.3%)	24.9%	67.6	33.6	0.5	1.6%	24.8%	39.6
	Subtotal	207.3	27.3	13.2%	21.9%	239.9	210.9	20.7	9.9%	18.7%	251.9
	Other Businesses	41.6	1.4	3.5%	16.2%	39.7	41.2	0.2	0.7%	13.7%	40.0
	Eliminations and corporate expenses	-	(16.3)	-	-	-	-	(16.9)	-	-	-
	Total	931.5	81.7	8.8%	20.7%	993.3	949.6	79.2	8.3%	20.4%	1,041.8

### 4. Full-Year Forecasts For FY2016

(¥ billion)

	FY2015 (15/2-16/1) Results	FY2016 (16/2-17/1)	
		Forecasts	YOY
Net sales	1,858.8	<b>2,000.0</b>	7.6%
Operating income	149.6	<b>175.0</b>	16.9%
Ordinary income	160.5	<b>178.0</b>	10.8%
Net income attributable to owners of parent	84.3	<b>113.0</b>	34.0%
EPS (yen)	120.16	<b>163.26</b>	35.9%
ROA	8.2%	<b>9.0%</b>	-
ROE	7.9%	<b>10.7%</b>	-
Dividend per share (yen)	54.00	<b>64.00</b>	10.00
Payout ratio	44.9%	<b>39.2%</b>	-

## 4. Full-Year Forecasts For FY2016 by Segment



### ■ Sales

(¥ billion)

	FY2015 (15/2-16/1) Results	FY2016 (Full-Year) (16/2-17/1)			
		Forecasts	Amount changed	YOY	
Built-to-Order Business	Custom Detached Houses	393.7	383.0	(10.7)	(2.7%)
	Rental Housing	400.6	417.0	16.3	4.1%
	Subtotal	794.3	800.0	5.6	0.7%
Supplied Housing Business	Remodeling	134.4	142.0	7.5	5.6%
	Real Estate Management Fees	448.7	468.0	19.2	4.3%
	Subtotal	583.2	610.0	26.7	4.6%
Development Business	Houses for Sale	137.4	132.0	(5.4)	(4.0%)
	Condominiums	81.4	65.0	(16.4)	(20.2%)
	Urban Redevelopment	93.0	123.0	29.9	32.2%
	Overseas	89.5	190.0	100.4	112.2%
Subtotal	401.5	510.0	108.4	27.0%	
Other Businesses	79.7	80.0	0.2	0.3%	
Total	1,858.8	2,000.0	141.1	7.6%	

### ■ Orders

(¥ billion)

	FY2015 (15/2-16/1) Results	FY2016 (Full-Year) (16/2-17/1)		
		Forecasts	Amount changed	YOY
Built-to-Order Business	387.5	396.0	8.4	2.2%
Supplied Housing Business	434.5	457.0	22.4	5.2%
Subtotal	822.1	853.0	30.8	3.8%
Development Business	134.1	142.0	7.8	5.9%
Other Businesses	448.7	468.0	19.2	4.3%
Subtotal	582.8	610.0	27.1	4.7%
Houses for Sale	132.6	144.0	11.3	8.5%
Condominiums	77.7	85.0	7.2	9.3%
Urban Redevelopment	93.0	123.0	29.9	32.2%
Overseas	147.0	150.0	2.9	2.0%
Subtotal	450.5	502.0	51.4	11.4%
Other Businesses	79.0	83.0	3.9	4.9%
Total	1,934.5	2,048.0	113.4	5.9%

### ■ Operating income

(¥ billion)

	FY2015 (15/2-16/1) Results	FY2016 (Full-Year) (16/2-17/1)			
		Forecasts	Amount changed	YOY	
Built-to-Order Business	Custom Detached Houses	47.2	47.0	(0.2)	(0.4%)
	Rental Housing	51.9	55.0	3.0	5.9%
	Subtotal	99.1	102.0	2.8	2.9%
Supplied Housing Business	Remodeling	15.8	18.0	2.1	13.6%
	Real Estate Management Fees	26.8	31.0	4.1	15.6%
	Subtotal	42.6	49.0	6.3	14.8%
Development Business	Houses for Sale	11.9	9.0	(2.9)	(24.5%)
	Condominiums	8.0	5.0	(3.0)	(37.7%)
	Urban Redevelopment	24.7	20.0	(4.7)	(19.2%)
	Overseas	(5.6)	25.0	30.6	-
Subtotal	39.0	59.0	19.9	51.2%	
Other Businesses	2.5	0.5	(2.0)	(80.1%)	
Eliminations and corporate expenses	(33.6)	(35.5)	(1.8)	-	
Total	149.6	175.0	25.3	16.9%	

### ■ OP margin

### ■ Gross margin

	FY2015 (15/2-16/1) Results	FY2016 (16/2-17/1) Forecasts	FY2015 (15/2-16/1) Results	FY2016 (16/2-17/1) Forecasts
Built-to-Order Business	12.0%	12.3%	25.2%	25.8%
Supplied Housing Business	13.0%	13.2%	23.6%	24.5%
Subtotal	12.5%	12.8%	24.4%	25.1%
Development Business	11.8%	12.7%	23.9%	24.6%
Other Businesses	6.0%	6.6%	14.0%	14.5%
Subtotal	7.3%	8.0%	16.3%	16.9%
Houses for Sale	8.7%	6.8%	18.8%	17.4%
Condominiums	9.9%	7.7%	16.2%	16.9%
Urban Redevelopment	26.6%	16.3%	28.7%	17.9%
Overseas	(6.3%)	13.2%	11.2%	23.7%
Subtotal	9.7%	11.6%	18.8%	19.8%
Other Businesses	3.1%	0.6%	15.9%	14.4%
Eliminations and corporate expenses	-	-	-	-
Total	8.1%	8.8%	20.1%	20.7%

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